

Message Text

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ACTION COME-00

INFO OCT-01 ARA-06 ISO-00 EB-07 XMB-02 EUR-12 OES-03

CIAE-00 DODE-00 INR-07 NSAE-00 PA-01 USIA-06 PRS-01

SP-02 MC-02 L-03 FPC-01 FEA-01 TRSE-00 PM-04 NSC-05

SS-15 /079 W

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FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 0035

C O N F I D E N T I A L MEXICO 8235

ALSO PASS: USDOC FOR MEPD AND BEWT;
EXIMBANK

EO 11652: GDS

TAGS: ENRG, EEWT, MX

SUBJECT: POSSIBLE SOVIET/ALLIS-CHALMERS COOPERATION ON CHICOASEN
HYDROELECTRIC PROJECT

REF A. MOSCOW 7580; B. STATE 147700

1. ALLIS-CHALMERS MEXICO REPS WITSCHHEY AND SAICEVSKY,
ACCOMPANIED BY SOVIET EMBASSY COMMERCIAL ATTACHE YOURY KRASNOV
(REPRESENTING ENERGOMASHEXPORT, MET WITH FEDERAL ELECTRIC
COMMISSION (CFE) DIRECTOR ARSENIO FARRELL SEPT. 5.

2. IN STORMY SESSION, KRASNOV INFORMED FARRELL THAT ENERGO-
MASHEXPORT WOULD JOIN A-C IN JOINT BID FOR CHICOASEN PROJECT.
IN ORDER TO MEET 1977/78 CFE DEADLINE, KRASNOV EXPLAINED, A-C
WOULD SUPPLY TURBINES AND USSR THE GENERATORS. FARRELL
EXPRESSED SURPRISE AT COOPERATIVE VENTURE AND ASKED IF
SOVIET/A-C COMBINATION MEANT USSR WOULD FINANCE TOTAL PACKAGE
WITH SUBCONTRACT TO ALLIS-CHALMERS. WHEN KRASNOV REPLIED THAT
EACH PARTY WOULD FINANCE ITS OWN PORTION, FARRELL RESPONDED
THAT THIS CHANGED ENTIRE PICTURE FOR CFE.

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3. FARRELL AGGRESSIVELY ASSERTED THIS DEVELOPMENT SIGNIFIED TWO SEPARATE PURCHASES INSTEAD OF ONE AND CFE, THEREFORE, FREE TO SEEK TURBINES FROM ANY SUPPLIER. KRASNOV DISAGREED AND TOLD FARRELL BLUNTLY THAT ENERGO-MASHEXPORT OFFICIALS WERE AWAITING HIS VISIT TO MOSCOW. FARRELL TERMINATED MEETING ON HOSTILE NOTE BY EMPHASIZING HE WOULD NOT TRAVEL TO MOSCOW AND RESENTED A-C/SOVIET DEAL.

4. COMMENT: A-C REPS REPORTED THAT FARRELL WAS BRUSQUE AND OFFENSIVE AND THAT KRASNOV LEFT MEETING SHAKING WITH ANGER. FARRELL SEEMED TO REJECT CATEGORICALLY THE NOTION OF ANY A-C PARTICIPATION ON CHICOASEN. JOVA

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